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C O N F I D E N T I A L SECTION 01 OF 04 BUCHAREST 001123

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DEPT FOR EUR/NCE - WILLIAM SILKWORTH

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TAGS: [PTER](#) [PGOV](#) [PREL](#) [KDEM](#) [ECON](#) [SOCI](#) [KCRM](#) [RO](#)

SUBJECT: BASESCU AND HIS GOVERNMENT TACKLE CORRUPTION

REF: A. A) BUCHAREST 1003

[¶](#)B. B) BUCHAREST 0835

[¶](#)C. C) BUCHAREST 0658

[¶](#)D. D) 04 BUCHAREST 3293

Classified By: POLITICAL SECTION CHIEF ROBERT GILCHRIST FOR REASONS 1.4

B AND D

[¶](#)1. (SBU) Summary: Four months into its tenure, Romania's center-right government has taken cautious but concrete steps towards combating Romania's widespread corruption, its key campaign pledge. This includes passing anticorruption legislation and indicting several businessmen allegedly involved in notorious corruption cases, who experts claim were previously shielded from prosecution by the former PSD government. Despite these initial steps, critics point out that a major anticorruption case has yet to be prosecuted under the new leadership. President Traian Basescu and his team will be challenged to reform Romanian institutions and fundamentally change a political and economic culture in which corruption is an integral and even expected component. Their job is all the more difficult given that the EU may be obstructing some needed reforms. End Summary.

Fighting the Corruption Battle: Matching Words.....

[¶](#)2. (SBU) Throughout Romania's 2004 electoral campaign, then presidential candidate Traian Basescu and the leading members of his Liberal-Democratic (PNL-PD) alliance made corruption the central plank in their platform. Recognizing the strong concern corruption remained to voters and the vulnerability of the then governing Social Democratic Party (PSD) on the issue, PNL-PD insiders told post that Basescu made a point of raising corruption in "every stump speech and at every press appearance he could." When he met cheering crowds on December 13 to announce his impending electoral victory, he stated that "corruption is a threat to national security," and promised to make anticorruption the top priority of his government. In his inauguration speech on December 20, he stated: "We cannot talk about joining, with dignity, the EU, without solving the major problems of Romania: corruption and poverty.... Today, high-level corruption is one of the greatest dangers to national security." Basescu made this anticorruption commitment repeatedly to the international community. He pledged to the foreign diplomatic corps January 18 to "solve Romania's persistent corruption," finally translating "words into deeds." Prime Minister Calin Popescu-Tariceanu and others in the new cabinet have similarly used strong language to underscore the importance of the anti-corruption fight.

[¶](#)3. (SBU) Among Basescu's early stops as president were the key institutions charged with combating corruption -- the Intelligence Services, the Ministry of Interior, the National Anticorruption Prosecutor's Office (PNA), and the Supreme Magistrate Council (CSM). At each stop, Basescu reiterated that anticorruption was his top priority and instructed the institutions to improve their efficiency and interagency cooperation. He told the Romanian Intelligence Service that it must provide substantial information about corruption sources and share such information with anticorruption agencies if it is to be effective in eliminating corruption from the Romanian government. In addition, Basescu has expressed his desire to establish an "intelligence community" in Romania, so as to enhance interagency information sharing on corruption and other domestic national security concerns. He told the PNA it must concentrate efforts on tackling large-scale cases, lamenting that the majority of those pursued were insignificant when compared to the magnitude of Romania's corruption problem.

.... With Deeds

[¶](#)4. (C) By declaring corruption a national security concern, Basescu thereby brought the issue under the purview of the presidency and the Supreme Council of Defense (CSAT) -- the interagency council comprised of the President, the Senior Advisors, the Ministers of Defense, Economics, Foreign Affairs, Interior, and the Chairs of the intelligence services. The parliament's adoption of a National Anticorruption Strategy) which Basescu has stated he will put before the legislature by the end of June) will serve to firmly anchor corruption legally as a national security

concern. Furthermore, as an issue within the CSAT, Romanian intelligence services can now be tasked to collect information domestically on potentially corrupt individuals (Ref A). (Note: This is a controversial issue within Romanian society, and as such, Basescu appears to be moving cautiously. Transparency International Romania (TIR) has argued against using intelligence services to combat corruption, arguing that the services themselves are likely afflicted by corruption. TIR opines that using intelligence services will actually complicate the prosecution of corruption cases by introducing additional procedures to an already lengthy prosecution process. End Note.)

15. (SBU) The new PNL-PD led coalition under the direction of Prime Minister Tariceanu made passage of key anticorruption legislation a centerpiece of its first 100 days in power. That effort included:

-- A bill introduced on 3 March to revise the wealth disclosure procedure for more detailed picture of total income and income sources for all public officials. The Senate, largely due to efforts of opposition PSD members, drastically weakened the proposal on 21 April. The bill has now moved to the Chamber of Deputies, where additional changes are expected. (Note: The Senate's act was symbolic, as full authority for this measure rests with the Chamber of Deputies. See septel. End note.)

-- An emergency ordinance * passed by the Chamber of Deputies on 29 March * to eliminate penal immunities of former ministers. It is now before the Senate for approval.

-- A law passed by both chambers as of March 31 to eliminate penal immunities that public notaries had previously enjoyed.

16. (C) While the former PSD government similarly passed extensive anti-corruption legislation, PNL-PD Minister for Parliamentary Relations Bogdan Olteanu asserted to PolChief that "the big difference now is that the current government actually plans to enforce the laws." Critics reply that it is still too early to tell if PNL-PD will emerge with a better legislative record on corruption than the PSD. Other proposed legislation currently under discussion include judicial reform, specifically the monitoring and verifying of public officials' wealth and interest declarations. The government has expressed hope that this mechanism will be in place by July 2005 (See para 14).

A New National Anticorruption Strategy

17. (SBU) At the same time the new cabinet, to comply with an EU requirement, established on March 30 a government-wide National Anticorruption Strategy (NAS) for 2005-7. Defining corruption as bribery, influence peddling, and receiving undeserved money or goods, the NAS was designed to be the official roadmap of the government's anticorruption goals. The NAS establishes the standards by which the EU will measure Romania's anticorruption progress from now until November 2005, the month in which the European Commission will publish Romania's country report. If this report deems Romania's progress insufficient, the European Commission has stated that it will delay Romania's EU accession by one year under a clause especially included in Romania's accession treaty. Understanding the importance of the NAS as the yardstick by which the EU will measure progress, Basescu has told government agencies that he wants specific individuals named responsible for the various aspects of implementation, so as to bolster accountability. He has pledged to follow up with these appointees.

18. (SBU) The NAS prioritizes a list of comprehensive anticorruption initiatives and establishes a list of responsible ministries and the date by which tasks are to be completed. These task include increasing transparency and integrity in public administration, preventing corruption in business, organizing anticorruption campaigns and educational programs, strengthening and improving the efficiency of the judicial system and reducing the number of governmental agencies involved in anticorruption, so as to centralize efforts.

A Few Big Arrests

19. (SBU) The early months of the new government have also been characterized by arrests in several major corruption cases. Although our law enforcement contacts point out that these cases had been under investigation for quite some time, the arrests nonetheless added credence to Basescu and Tariceanu's claims that they are serious in the anti-corruption fight. Indeed, independent analysts point to a link between the new government taking power and a relative flurry of arrests of individuals who had long been under investigation, but left undisturbed due to apparent shielding from prosecution. Although there has yet to be a prosecution in a large scale corruption case, one journalist opined to PolChief that the difference now, is that there finally

appears to be some momentum.

¶10. (SBU) The most dramatic arrest occurred in January soon after the new government took office. Bucharest papers carried front-page headlines when police handcuffed and escorted RAFO refinery boss and PSD moneyman Corneliu Iacubov to the Bucharest central jail, where Iacubov shouted, "This is from Basescu! What he gives is what he will get!" The Prosecutor General's Office accuses Iacubov of large-scale money laundering and financial fraud. Similarly, the PNA indicted in April petroleum king and PNL Senator (and financier) Dinu Patriciu on charges of money laundering, tax evasion and fraud. This indictment is particularly notable in that it defies allegations that the government would use the anti-corruption battle only against the opposition.

¶11. (SBU) Other recent high profile cases include the April 13 indictment of former National Securities Commission President Gabriela Anghelache for "abuse of position" in her role in the privatization of the bustling downtown Bucharest Bucur Obor market complex. PNA alleges that Anghelache temporarily lifted a trading ban on the company's shares to allow one of its main shareholders, Laurentiu Postavaru, to purchase additional shares. Postavaru is also under investigation by the PNA.

¶12. (SBU) Corruption again made the front pages in connection with the March 29 kidnapping in Iraq of three Romanian journalists and their American-Iraqi guide. On April 5, Romania's General Prosecutor's office arrested Syrian-born businessman Omar Hayssam, whom the press (and some in government) believed orchestrated the kidnapping (ref B). Hayssam, one of Romania's wealthiest individuals, was formally charged with fraud resulting in a combined loss of 1.8 million euros to four different companies. In following days the media linked him to a wide swath of Romania's most senior opposition politicians. This included former President Ion Iliescu, former PSD Vice President Viorel Hrebenciuc, and former PSD deputy and member of communist securitate Ristea Priboi. Iliescu reportedly included Hayssam on a number of official delegations, including to the United Arab Emirates, Vietnam, the Philippines, Japan, Singapore, Uzbekistan, China, Russia and Kazakhstan. In addition to the charges already filed, Hayssam is also being investigated for numerous other acts of fraud, tax evasion, money laundering and organized crime, not to mention acts related to his alleged involvement in the kidnapping. One PSD political advisor told PolChief that many in the PSD are "seriously worried" about how far these investigations will go. The scandal involving Hayssam is also attributed to influencing the results of the April 21 PSD internal elections, in which Iliescu, Hrebenciuc, and other stalwarts were ousted from the party leadership. (Ref B).

Changing the Institutions

¶13. (C) Basescu and his team have repeatedly acknowledged that essential in the fight against corruption is a fundamental change in government institutions, both in terms of personnel and of how the institutions carry out their functions. Basescu vowed that no individual who had been tainted by credible corruption allegations would be appointed to the cabinet, a promise he and Tariceanu largely kept. The most notable appointment was new Justice Minister Monica Macovei, a largely apolitical figure from an important local human rights NGO. Early on Macovei confessed to visitors that she had "no idea of where to start" in cleaning up a Justice Ministry she described as riddled with "old communist bureaucrats" and "PSD political plants." She was simultaneously challenged with implementing EU-mandated reforms, more sweeping in Justice than in any other sector. Nonetheless, by mid-March many government interlocutors and NGO contacts reported that Macovei appeared to be "hitting her stride."

¶14. (SBU) On 7 April Macovei appointed Prosecutor Doru Dobocan as head of the General Department for Protection and Anti-Corruption within the Ministry of Justice. The press has dubbed Dobocan as a "pit bull" in the fight against corruption. Macovei is also developing in the Ministry a new investigative body * the Agency for Integrity and Statements of Wealth * which would investigate the veracity of public officials' asset declarations.

¶15. (SBU) Also fundamental in the anticorruption fight is the National Anticorruption Prosecutor's Office (PNA), which was established in 2002 as an independent entity to prosecute major corruption cases. Although the PNA budget is ample by Romanian standards and its prosecutors are among the best trained, it has yet to prosecute a major corruption case to conclusion. Embassy Resident Legal Advisor notes that the delay in concluding such trials is at least partially due to Romanian jurisprudence practices, which do not facilitate swift justice. Some Embassy contacts have confided that Basescu and Tariceanu may seek to replace PNA Director Ion Amarie, despite the fact that the latter's tenure is not due

to expire until 2008. Minister Macovei has stated that Amarie should take responsibility and resign for what she views as the PNA's poor anticorruption record. (Note. Post will report more on the current debate over the PNA septel. End note.)

¶16. (SBU) The Ministry of Interior has also taken a series of positive steps in efforts to root out internal corruption. It has established its own anticorruption office, which is charged with investigating and preventing corruption within the Ministry of Interior. In recent months, the Ministry has replaced police directors, border police and customs officers, citing corruption as the reason for their removal. The Ministry of Interior has announced that their replacements will be selected via a process of open and fair competition.

Comment: A Good Start, But the Task is Big

¶17. (C) Basescu, Tariceanu, and their team have amply demonstrated their commitment to fighting corruption, in word and (at least early on) in deed. Their National Anti-Corruption Strategy earns high marks from the EU and the Embassy team. A real test of anticorruption efforts will be whether the PNA and courts are able to prosecute major cases to conclusion without political interference. Preserving the judiciary's independence while fostering a get-tough on corruption environment will likely prove a difficult balancing act for the new government. An even bigger challenge will be fundamentally altering a culture of corruption that has strong historical roots and permeates virtually all levels of Romanian political and economic life.

According to Transparency International, Romania ranks as one of the most corrupt countries in Europe (only Albania ranks worse). On the latest worldwide index of 145 countries, Romania is tied for position 87 with the Dominican Republic and Iran.

¶18. (C) Perhaps even more frustrating to the current government are the seemingly mixed signals from the EU concerning domestic anti-corruption efforts. Several State Secretaries, as well as Minister of Finance Ionut Popescu,

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have expressed deep frustration with the corruption in the middle levels of the government bureaucracy. Currently, it is nearly impossible to remove a civil servant from his/her job without a judicial finding of malfeasance, or even to move them permanently to another, equal position elsewhere. This hampers the current reformist government's ability to root out corrupt bureaucrats and replace them with hopefully more honest employees. In response to Econ Chief's direct query about a civil service overhaul that could rid the government of the corrupt and incompetent in one fell swoop, Minister Popescu replied that the EU has signaled that the GOR should not do this, ostensibly out of fear that it would "demoralize" the bureaucrats or appear to be a political purge. He also expressed frustration that on some occasions in the past, the EU has intervened to prevent individual personnel changes in the ministries.

¶19. (C) In sum, by electing Basescu and his PNL-PD led government, Romanians made clear that they want a serious effort to diminish the country's endemic corruption. Four months is little time for any government to make a significant dent in such a large problem, but it appears that the center-right government is serious about the problem and its initial steps, while limited, have been in the right direction.

¶20. (U) AmEmbassy Bucharest's Reporting telegrams, as well as daily press summaries, are available on the Bucharest SIPRNet website: www.state.sgov/p/eur/bucharest
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